



Massachusetts Housing Finance Agency
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December 4, 2015

Peter S. Mugar, Manager
Arlington Land Realty, LLC
c/o Oaktree/Greenline, LLC
84 Sherman Street, 2nd Floor
Cambridge, MA 02140

**Re: Thorndike Place
Project Eligibility/Site Approval
MassHousing ID # 778/779**

Dear Mr. Mugar:

This letter is in response to your application as “Applicant” for a determination of Project Eligibility (Site Approval) pursuant to Massachusetts General Laws Chapter 40B (“Chapter 40B”), 760 CMR 56.00 (the “Regulations”) and the Comprehensive Permit Guidelines issued by the Department of Housing and Community Development (“DHCD”) (the “Guidelines” and, collectively with Chapter 40B and the Regulations, the “Comprehensive Permit Rules”), under the New England Fund (“NEF”) Program (“the Program”) of the Federal Home Loan Bank of Boston (“FHLBB”).

Arlington Land Realty, LLC has submitted an application to MassHousing pursuant to Chapter 40B. The Project will include 12 homeownership units (3 affordable) and 207 units of rental housing (52 affordable) and will be located off of Dorothy Road in Arlington, MA (the “Municipality” or the “Town”) on 17.814 acres (5.6 buildable acres) of land in an area currently zoned Planned Unit Development (PUD). The Project will include 6 duplex style townhouse homes and 1, four-story apartment building. A total of 304 parking spaces will be provided including 2 garage spaces for each townhouse (24 total), 178 covered spaces in the apartment podium garage, and 102 surface parking spaces. In accordance with the Comprehensive Permit Rules, this letter is intended to be a written determination of Project Eligibility (“Site Approval”) by MassHousing acting as Subsidizing Agency under the Guidelines, including Part V thereof, “Housing Programs In Which Funding Is Provided By Other Than A State Agency.”

On June 23, 2015 MassHousing performed an on-site inspection of the Site, which local boards and officials were invited to attend, and has reviewed the pertinent information for the Project submitted by the Applicant, the Municipality and others in accordance with the Comprehensive Permit Rules.

Municipal Comments

Pursuant to the Regulations, the Municipality was given a thirty (30) day period, in which to review the Site Approval application and submit comments to MassHousing. At the request of the Town of Arlington, MassHousing then extended the comment period by thirty (30) additional days. Subsequently, the Town of Arlington requested one week of additional time in order to incorporate comments prepared at a hearing held by the Town on August 12, 2015. This additional time was granted, allowing for a total of sixty-seven (67) days for the Town's review and comment.

The Arlington Board of Selectmen provided a letter received by MassHousing on August 18, 2015, expressing its concerns about the proposal. In summary, the Selectmen's letter urged MassHousing to deny the Application for Site Approval. The Applicant responded to these concerns through its consultant in a letter received by MassHousing on September 15, 2015. The Town responded to the Applicant's concerns and reiterated its position in a second letter received by MassHousing on October 6, 2015.

The Town's comments identified the following areas of concern which are addressed in the findings:

- The Municipality questioned the Applicant's eligibility to apply for a determination of Project Eligibility because it failed to provide a Letter of Interest from an NEF lender.
- The Municipality expressed concern that the Applicant failed to provide sufficient evidence of site control.
- The Municipality believes that the Applicant has violated MassHousing's Land Acquisition Value Policy.
- The Municipality suggests that the Initial Capital Budget contains unsupported costs.
- The Municipality noted that a significant portion of the Site is subject to the jurisdiction of the Arlington Conservation Commission pursuant to the Wetlands Protection Act and Arlington Wetlands Bylaws and Regulations. The Selectmen expressed the concern that the Project would have negative impacts on-site wetlands and associated impacts on adjacent properties.
- The Municipality is concerned that portions of the buildings are located in resource areas and in buffer zones.
- The Municipality states that the constraints imposed by the predominance of wetlands on the Site will result in a crowding of buildings, roadways, parking, and infrastructure.
- The Municipality further noted that the Site lies in a Flood Zone and both the project parcel and adjacent parcels are subject to flooding.

- The Municipality expressed concern that the Project will require the removal of approximately seven acres of forest with mature trees, understory vegetation, and pervious ground which will prevent infiltration.
- The Municipality is also concerned that clearing up to seven acres for the proposed buildings and roadways will decrease the amount of wildlife habitat on the property.
- The Municipality is concerned with the potential for flooding from sea level rise affecting the area.
- The Municipality expressed concern that the Project will be located in an area with high traffic volumes on Route 2/Concord Turnpike and Route 16 and will overwhelm the local road that serves the surrounding single-family neighborhood. The Municipality is further concerned that the proposed development will increase traffic congestion in the area.
- Municipal comments also identified aspects of the Site Plan that they felt were incompatible with area development patterns and/or unacceptable for this location. These specific concerns included excessive building heights (up to 4-stories at 53'); and excessive unit density (estimated 43.8 units/buildable acre).
- Arlington Selectmen expressed the opinion that the Project was not consistent with the Commonwealth's Sustainable Development Principles.

Community Response

In addition to the comments from town officials, MassHousing received and reviewed a letter from the Coalition to Save the Mugar Wetlands, which expressed opposition to the Project. While letters from members of the community echoed the concerns identified by the town officials, they focused specifically on the Project's direct impacts on abutter safety and quality of life, including the following:

- Increased traffic queuing and wait times at peak hours on Lake Street;
- Potential damage to abutting properties, recreational areas, and roadways from Project run-off and flooding; and
- Possible impacts on classroom size, and on the quality of the Arlington Public Schools.

Senator Kenneth Donnelly and State Representatives Sean Garballey and David Rogers provided a joint letter reiterating constituent concerns about the Project and its potentially negative impacts on the Town.

Comments Outside of the Findings

While Comprehensive Permit Rules require MassHousing, acting as Subsidizing Agency under the Guidelines, to “accept written comments from Local Boards and other interested parties” and to “consider any such comments prior to issuing a determination of Project Eligibility,” these rules limit MassHousing to specific findings outlined in 760 CMR 56.04(1) and (4). While many of the public comments submitted to MassHousing are important considerations for your development going forward MassHousing is required only to find that a site is “generally appropriate for housing” based on its review. As such, these issues are not within scope of the Agency’s review under existing regulations. Nevertheless, these public comments are important and should be seen as integral considerations for your development going forward.

Specifically, the Selectmen’s letter noted that Arlington has a history of planning for growth and development through the update of the Town’s Comprehensive Plan, Housing Plan and Open Space Plan and view the proposed development as inconsistent with local planning.

MassHousing Determination and Recommendations

MassHousing staff has determined that the Project appears generally eligible under the requirements of the Program, subject to final review of eligibility and to Final Approval. As a result of our review, we have made the findings as required pursuant to 760 CMR 56.04(1) and (4). Each such finding, with supporting reasoning, is set forth in further detail in Attachment 1. It is important to note that Comprehensive Permit Rules limit MassHousing to these specific findings in order to determine Project Eligibility. If, as here, MassHousing issues a determination of Project Eligibility, the Developer may apply to the Zoning Board of Appeals of the Municipality for a comprehensive permit. At that time, local boards, officials and members of the public are provided the opportunity to further review the Project to ensure compliance with applicable state and local standards and regulations.

A number of the Municipality’s comments highlighted elements of the application that the Municipality viewed to be missing and/or incomplete. Over the course of our review, it is not uncommon to request additional information of the applicant to clarify any outstanding items. Prior to completion of our review, all outstanding matters have been resolved and the application is complete. Based on MassHousing’s site and design review, and in light of feedback received from the Municipality and abutters, the following issues should be addressed in your application to the Zoning Board of Appeals, and you should be prepared to explore them more fully in the public hearing process:

- Development of this Site will require compliance with all state and federal environmental laws, regulations and standards applicable to existing conditions and to the proposed use relating to floodplain management, wetland protection, river and wildlife conservation, water quality, stormwater management, wastewater treatment, and hazardous waste safety. The Applicant should expect that the Municipality will require evidence of such compliance prior to the issuance of a building permit for the Project.

- The Applicant should be prepared to provide sufficient data to assess the Project's potential traffic impacts on area roadways including traffic volumes, crash rates, and the safety and level of service (LOS) at the site entrances and area intersections.
- The Applicant should be prepared to address Municipal concerns relative to the size, scale and density of the Project and its impact on the character of the surrounding neighborhood, and to fully describe the proposed measures to address and mitigate these concerns.
- The Applicant should be prepared to provide detailed information relative to proposed water and sewer use, potential impacts on existing capacity, and appropriate mitigation.
- The Applicant should provide a detailed planting plan identifying existing vegetation which will be preserved along with proposed new planting.

MassHousing has also reviewed the application for compliance with the requirements of 760 CMR 56.04 (2) relative to Application requirements, and has determined that the material provided by the Developer in the application is sufficient to show compliance.

This Site Approval is expressly limited to the development of no more than 207 rental units and 12 ownership units under the terms of the Program, of which not less than 52 rental units and 4 homeownership units shall be restricted as affordable for low or moderate income persons or families as required under the terms of the Guidelines. It is not a commitment or guarantee of NEF financing and does not constitute a site plan or building design approval. Should you consider, prior to obtaining a comprehensive permit, the use of any other housing subsidy program, the construction of additional units or a reduction in the size of the Site, you may be required to submit a new Site Approval application for review by MassHousing. Should you consider a change in tenure type or a change in building type or height, you may be required to submit a new site approval application for review by MassHousing.

For guidance on the comprehensive permit review process, you are advised to consult the Guidelines. Further, we urge you to review carefully with legal counsel the M.G.L. c.40B Comprehensive Permit Regulations at 760 CMR 56.00.

This approval will be effective for a period of two years from the date of this letter. Should the Applicant not apply for a comprehensive permit within this period this letter shall be considered to be expired and no longer in effect unless MassHousing extends the effective period of this letter in writing. In addition, the Applicant is required to notify MassHousing when the following steps occur: (1) the Applicant applies to the local ZBA for a Comprehensive Permit, (2) the ZBA issues a decision and (3) any appeals are filed.

Should a comprehensive permit be issued, please note that prior to (i) commencement of construction of the Project or (ii) issuance of a building permit, the Applicant is required to submit to MassHousing a request for Final Approval of the Project (as it may have been

amended) in accordance with the Comprehensive Permit Rules (see especially 760 CMR 56.04(07) and the Guidelines including, without limitation, Part III thereof concerning Affirmative Fair Housing Marketing and Resident Selection). Final Approval will not be issued unless MassHousing is able to make the same findings at the time of issuing Final Approval as required at Site Approval.

Please note that MassHousing may not issue Final Approval if the Comprehensive Permit contains any conditions that are inconsistent with the regulatory requirements of the New England Fund Program of the FHLBB, for which MassHousing serves as Subsidizing Agency, as reflected in the applicable regulatory documents. In the interest of providing for an efficient review process and in order to avoid the potential lapse of certain appeal rights, the Applicant may wish to submit a "final draft" of the Comprehensive Permit to MassHousing for review. Applicants who avail themselves of this opportunity may avoid significant procedural delays that can result from the need to seek modification of the Comprehensive Permit after its initial issuance.

If you have any questions concerning this letter, please contact Jessica Malcolm at (617) 854-1201.

Sincerely,



Thomas R. Gleason
Executive Director

cc: Chrystal Kornegay, Undersecretary, DHCD
Adam Chapdelaine, Town Manager, Town of Arlington
Kevin F. Greeley, Chair, Board of Selectmen, Town of Arlington
The Honorable Kenneth Donnelly
The Honorable Sean Garballey
The Honorable David Rogers

Attachment 1.

760 CMR 56.04 Project Eligibility: Other Responsibilities of Subsidizing Agency
Section (4) Findings and Determinations

Thorndike Place, Arlington, MA # 778/779

After the close of the 30-day review period and 37-day extension, MassHousing hereby makes the following findings, based upon its review of the application, and taking into account information received during the site visit and from written comments:

(a) MassHousing finds that the proposed Project appears generally eligible under the requirements of the housing subsidy program, subject to final approval under 760 CMR 56.04(7);

The Project is eligible under the NEF housing subsidy program and at least 25% of the units will be available to households earning at or below 80% of the Area Median Income (AMI), adjusted for household size, as published by the U.S. Department of Housing and Urban Development ("HUD"). The most recent HUD income limits indicate that 80% of the current median income for a four-person household in Arlington is \$69,700.

Proposed gross rent levels of \$1,112 for a one-bedroom affordable unit, \$1,317 for a two-bedroom affordable unit and \$1,576 for a three-bedroom affordable unit accurately reflect current affordable rent levels for the Boston-Cambridge-Quincy HMFA under the NEF Program, less proposed utility allowances of \$123, \$165, and \$204 respectively for the one, two, and three-bedroom units, respectively.

Note that the Developer's projected utility allowances are slightly different than those published by the Arlington Housing Authority:

80% of AMI Units	Heat	Hot Water	Cooking (Electric)	Other Electric	AHA Total U/A	Dev. Proposed U/A
1 BR	\$41	\$10	\$8	\$63	\$122	\$123
2 BR	\$49	\$14	\$11	\$84	\$158	\$165
3 BR	\$59	\$17	\$14	\$104	\$194	\$204

A Letter of Interest relative to Project Financing was provided by Citizens Bank, N.A. a member bank of the Federal Home Loan Bank of Boston (FHLBB) on November 9, 2015. MassHousing has reviewed the application and finds that the Letter of Interest is sufficient.

(b) MassHousing finds that the site of the proposed Project is generally appropriate for residential development, taking into consideration information provided by the Municipality or other parties regarding municipal actions previously taken to meet affordable housing needs,

such as inclusionary zoning, multifamily districts adopted under c.40A, and overlay districts adopted under c.40R, (such finding, with supporting reasoning, to be set forth in reasonable detail);

Based on MassHousing staff's site inspections, internal discussions, and a thorough review of the application, MassHousing finds that the Site is suitable for residential use and development and that such use would be compatible with surrounding uses. Utilities including sanitary sewer, public water, natural gas and electricity appear to be available subject to appropriate review and mitigation. The Site is accessible to Route 2, which borders the Site to the South and is located .7 miles from Alewife Station which is easily accessible by car, bicycle, or foot via the Minuteman Commuter Bikeway that can be accessed less than .5 miles from the Site. It is located .6 miles from Massachusetts Avenue, which has many local restaurants and businesses.

According to DHCD's Chapter 40B Subsidized Housing Inventory (SHI), updated through December 5, 2014, Arlington has 1,121 Subsidized Housing Inventory (SHI) units (5.6% of its housing inventory), which is 867 SHI units shy of the 10% SHI threshold. If this Project were to be completed, however, the number of affordable units would increase by 210 to 1,331, or approximately 6.9% of Arlington's total housing stock.

A strong need for the proposed affordable units is further demonstrated by the large number of low-and moderate-income persons in the immediate area; the 2013 American Community Survey (ACS) indicates that 52% of household in the Town of Arlington earn less than 80% AMI, approximately 37% earned less than the 70% AMI, and approximately 27% earned less than 50% AMI.

(c) MassHousing finds that the conceptual project design is generally appropriate for the site on which it is located, taking into consideration factors that may include proposed use, conceptual site plan and building massing, topography, environmental resources, and integration into existing development patterns (such finding, with supporting reasoning, to be set forth in reasonable detail);

In summary, based on evaluation of the site plan using the following criteria, MassHousing finds that the proposed conceptual project design is generally appropriate for the Site. The following plan review findings are made in response to conceptual plan, submitted to MassHousing:

1. Relationship to Adjacent Building Typology:

As stated, the Project will include 6 duplex style townhouse units and 1, four-story apartment building. Buildings have been sited with the goal of minimizing impacts on the surrounding streetscape, with the townhouses located along Dorothy Road, closest to the Site entrance, and the larger building set back to minimize its observable bulk.

Adjacent typology is residential development mainly comprised of one and two-family colonial style homes. The proposed townhouses are sited along Dorothy Road and will complement the

existing residential development of this street, as the townhouses are of a similar height, scale, and spacing as the other homes along Dorothy Road. The townhouse units were designed as a transitional zone between the duplex and single-family homes of the existing residential neighborhood to the North and East of the project and the larger proposed apartment building to the South. To reflect the character of the street, the townhouse units feature lap siding, pitched roofs, and front porches.

The 207 apartment units are located in 1, four-story building set back more than 150 feet from the residential street (Dorothy Road) and more than 80 feet from the townhouses. The main apartment building has a contemporary style, but incorporates materials like lap siding. The façade is broken up into multiple plains and masses to alleviate long, straight stretches in the elevation.

2. Relationship to adjacent streets/Integration into existing development patterns

The property is situated between Route 2/Concord Turnpike and a residential neighborhood. The immediate surrounding neighborhood contains a mix of single family houses and two to three family condominium units. Larger apartment buildings are located across Route 2, around Alewife Station.

The proposed townhouse units on Dorothy Road were designed as a transitional zone between the duplex and single family homes of the existing residential neighborhood to the North and East of the project and the larger proposed apartment building to the South.

Access roads are pedestrian friendly and lined with trees. Pedestrian circulation is indicated on the site and connects to existing sidewalks at Little John/Dorothy Road and Edith Street. Overall, the neighborhood is an appropriate location for residential use.

3. Density

The Project will have a gross density of 12.8 units per acre and a net density of 43.8 units per buildable acre. The proposed Project density is relatively low for multi-family development. Project density is mitigated by the fact that a large portion of the Site (which is primarily vegetated wetlands) has been left undeveloped.

4. Conceptual Site Plan

Overall, the Site Plan provides an attractive setting for Project residents, while minimizing the visual impact of the rental portion of the Project from Dorothy Road and adjacent residential neighborhoods.

The 219 unit development is proposed for a wooded site along Route 2 in Arlington. The undeveloped site is adjacent to an established residential neighborhood of one and two family homes. Units are divided between 6 duplex townhouses (12 units) and 1, four-story apartment

building (207 units). The footprint of the apartment building is faceted with each wing an independent L-shaped double loaded corridor. The building runs the length of the site and is divided into 2, four-story residential wings (east and west). The total length of the building is almost 700 feet. There are three points of access to the apartment complex: Little John Street, Parker Street and at the corner of Edith Street and Burch Road.

5. Environmental Resources

In 2000, the Metropolitan District Commission (MDC), now known as the Department of Conservation and Recreation (DCR), ranked the Site 12th out of the 205 most significant unprotected open spaces remaining in the Metropolitan Region. To the South, the apartment building will overlook 10 acres of the property that will be devoted to open space and potential public conservation land. This area of wetlands provides an expansive buffer between the apartment building and Route 2/Concord Turnpike and is proposed to include a walking trail/boardwalk.

The Site Plan makes use of existing vegetative borders along the property lines for screening and separation. Additionally, there will be pedestrian access to the Bike path at the Eastern end of the site.

6. Topography

The topography is undulating with small to medium sized depressions in the northerly portion of the Site. To the North the site elevations range from 9 feet to 11 feet and the frontage with Route 2 ranges from elevations ranging from 6 feet to 10 feet. The most westerly portion of the site is the highest in elevation (approx. 12+ feet). Topography is not an impediment to the development of the Site.

(d) MassHousing finds that the proposed Project appears financially feasible within the housing market in which it will be situated (based on comparable rentals and sales figures);

The Applicant proposes 207 rental apartments, and 12 homeownership units to be financed under the NEF Program. There will be 155 market-rate apartment units with proposed average rent levels of \$2,100 for the one-bedroom units; \$3,000 for the two-bedroom units; and \$3,500 for the three-bedroom units.

MassHousing's Appraisal and Marketing Division (A&M) conducted a preliminary analysis showing that the demand for market-rate and affordable rental apartments in the area had expanded over the past five years. Reis, Inc. indicates that between 2010 and Q2 2015, 2,450 units (approx. 2.01%/yr. avg.) were added to the submarket's inventory. However, this pace is projected to slow between Q2 2015 and year-end 2019 (i.e. 1,864 units or 1.4%/yr. avg.)

Further, as the area's supply of rental units continues to grow, Reis, Inc. data indicates that the submarket's vacancy rate has/will grow as well, increasing from 4.8% in 2010 to 6.5% in Q2

2015, and subsequently projected to increase to 8.4% in 2019. However, this increase in supply and vacancy does not appear to have slowed the growth in effective rents, as they have increased from \$1,414 in 2010 to \$1,614 (14%) in Q2 2015. In fact, Reis, Inc. projects the submarket's effective rents to increase to \$1,864 (15.5%) by 2019.

In general, occupancy levels in the area have been stable, if not increasing, over the last 2-3 years. Vacancy data is available for the developments reviewed (appx. 1,800 units), ranged between 0% and 6%, with a weighted average rate of appx. 2.7%. This rate differs significantly with Q2 Reis, Inc. data for the submarket that evidenced a 9.0%

A&M found that proposed market rents for the one and two-bedroom units are within the range of comparable area developments, but that the proposed three-bedroom rents are slightly higher. A full market study should be conducted prior to Final Approval in order to determine the depth of the market for housing in this location at that time. Overall, the proposed project appears financially feasible within the housing market in which it will be situated based on comparable rentals.

The homeownership portion of the Project appears financially feasible based on a pricing study submitted by realtor Mark F. Lesses of Coldwell Banker. This study indicates that it is likely that the proposed market sales price will be achievable.

(e) MassHousing finds that an initial pro forma has been reviewed, including a land valuation determination consistent with the Department's Guidelines, and the Project appears financially feasible and consistent with the Department's Guidelines for Cost Examination and Limitations on Profits and Distributions (if applicable) on the basis of estimated development costs;

MassHousing has commissioned an as "As-Is" appraisal which indicates land valuations of \$1,560,000 (Parcel A – Homeownership) and \$1,510,000 (Parcel B – Rental) that make up the larger, combined Site. The initial homeownership pro forma has been reviewed for the proposed residential use and the Project appears financially feasible with a projected profit margin of 11.63%. Further, based on a proposed equity investment of \$20,127,583, the Applicant's initial rental pro-forma appears to be financially feasible and within the limitations on profits and distributions.

(f) MassHousing finds that the Applicant is a public agency, a non-profit organization, or a Limited Dividend Organization, and it meets the general eligibility standards of the housing program; an

The Applicant must be organized as a Limited Dividend Organization. MassHousing sees no reason this requirement could not be met given information reviewed to date. The Applicant meets the general eligibility standards of the NEF housing subsidy program and has executed an Acknowledgment of Obligations to restrict their profits in accordance with the applicable limited dividend provisions.

(g) MassHousing finds that the Applicant controls the site, based on evidence that the Applicant or a related entity owns the site, or holds an option or contract to acquire such interest in the site, or has such other interest in the site as is deemed by the Subsidizing Agency to be sufficient to control the site.

The applicant controls the Site by virtue of a Deed from David T. Ting, as Trustee of Arlington Land Realty Trust, to Arlington Land Realty, LLC dated September 8, 2015.